BAD 250 CHAPTER 1 Overview of Marketing

Marketing is the process of planning and executing the conception (product, idea or service development), the pricing, the promotion, and the distribution of ideas, goods and services to create exchanges that satisfy individual (VALUE) and organizational (Corporate) objectives (PROFIT, MARKETSHARE) . It is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships that benefit the organization and its stakeholders.

The **marketing <u>concept</u>** identifies consumer (customer) needs and then provides products (solutions) that satisfy those needs. Marketers strive to do so while meeting the profit objectives of their company.
A product or service delivers a **benefit** when it satisfies a need or want. *Desire* coupled with the resources to satisfy a want results in **demand.**

A **market** consists of all the consumers (customers) with a need or a want and the resources to make an exchange. An **exchange** is the heart of every marketing act and occurs when something of value is obtained for something else in return. **Markets** are: consumer goods and services, industrial or commercial goods and services and they are further classified as either *for profit* or *not for profit*. Customers are generally focused on **value**, a concept where they perceive that the benefit from a company's product meets or exceeds their expectations relative to the exchange (price, barter, trade) they paid.   Successful marketers and their firm's focus all of their productive effort on creating a **value proposition**.

Marketers face a daily challenge to insure that they neither **oversell nor undersell** their products, services or ideas they sell their wares in the marketplace. They do so by concentrating on developing strategies that result in the most effective deployment of the **marketing mix**, **(*the 4-P's*)**, ***PRODUCT, PRICE, PROMOTION, PLACE***, that accomplishes the goals and objectives of their companies. Successful companies employ variations of **TQM, Total Quality management,** that involves all employees, at every level in the company, in activities that improve every aspect of a company's business processes and practices in every company function or discipline associated with those **4-P's.**

Business has gone through 4 cycles in terms of marketing focus and importance. The *Production Era* focused on making or producing the product, The *Selling Era* focused on as selling products as opposed to creating and marketing them to achieve results. The *Consumer Era* focused on satisfying customer's needs and wants. The *New Era* is a devotion to excellence in serving not just customers, but all stakeholders of the firm.

Customer relationship management emphasizes the importance of building long-term relationships with customers that keep them satisfied and coming back. Marketers jobs should result in "***selling products that don't come back to people that do*** "They do so by going through a strenuous marketing planning process to find and reach a target market of customers that have needs that their company is capable of fulfilling, finding out as much as possible about those customers and their needs so that they develop solutions that employ the 4-P's effectively to attract those customers to their firms solutions.

Mass Market - developing a basic product and a single strategy for everyone. **Market Segments** – distinct groups of customers within a larger market. **Target Market** – a company's chosen segment.
Markets are *segmented* by **Demographics, Geographics, Psychographics and Benefits Sought.**
Marketers determine which segments present the best profit opportunity in terms of the company's resources and ability to satisfy the needs of each segment.

Marketers position products in terms of how target markets should perceive their product ***<u>versus competitor's offerings.</u>*** This is called **The Market Position or Market Positioning.**

BAD 250 CHAPTER 2 Strategic Market Planning

Successful companies derive both social and economic profit by setting objectives and embracing strategies that result from a decision process that properly addresses ethics and social responsibility, quality, and their internal and external environments. The 4-P's must respond appropriately in each of these areas for companies to be successful. Companies also value the role that ***CULTURE,*** the set of values, beliefs, and norms that influence employee behavior, plays in positive results. Culture (company personality, atmosphere) is seen in the attitudes, example and guidance of management and supervisors.

Ethics are rules of conduct; **Business Ethics** are basic values or principles that guide a firm's behavior. **Social Responsibility** promotes the public good through corporate promotion of cultural diversity, the arts, civic contributions, environmental stewardship, and cause marketing (cancer walks, JDRF, etc.).

Strategic Planning is the managerial decision process that matches the organization's resources and capabilities to its market opportunities for long-term growth. At the *Corporate* level (the parent, higher than the SBU level) strategic planning involves defining the organization's mission, establishes corporate objectives and allocates resources to the SBU's.

Mission statements evolve from asking questions like: What business are we in? What customers should we serve? How should we develop the firm's capabilities and focus its efforts? What do we want to be? What will our relationship be with stakeholders? **Corporate Objectives** grow directly from a mission statement. They detail specific outcomes that an organization seeks to achieve in a certain time period, who will be responsible and accountable for the result, and when the result is expected.

Top-level management evaluates both their internal and external environments (environmental scanning) in developing strategic plans and objectives. They use **SWOT** analysis to identify their **internal *strengths and weaknesses*** and their **external *opportunities and threats*** to position their firms to balance resources and potential in the formulation of goals and objectives. Marketplace advantage results from defining the firm's distinctive competency and turning it into a differential benefit.

The **Business Portfolio** is the separate and distinct SBU's (strategic business units) that are part of an overall corporation. Each SBU is usually a separate profit center, responsible for its own costs, revenue and profits. Successful firms continually analyze and monitor the performance and the potential of its individual products as well as its individual business units.
The BCG (Boston Consulting Group) **Growth-Market Share Matrix** is a tool used by many firms to aid in this evaluative process. It is on page 49 of your text. U*nderstand /know* how to use this tool. *Stars* are units with high market share in high growth industries. *Cash cows* are units with high market share in low growth industries. *Question marks* are units with low market share in high growth industries and *dogs* are units with low market share in low growth industries. This process often determines resource allocation.

SBU level Strategic Planning involves: *Evaluating the environment, setting business unit objectives, creating competitive advantage through strong value propositions and developing growth strategies.* Environmental scanning for the specific business or industry is the tool used at the beginning of this process. SBU objectives must support overall corporate objectives.

Know and understand the **Product-Growth Matrix** on page 50. It identifies specific strategies to pursue for long-term growth. If your emphasis is a market emphasis or product emphasis 4 different strategies are recommended depending upon the firm's pursuit of *existing markets or new markets* or pursuit of growth through *existing products or new products*. All firms may not do this formally but successful firms employ this approach in some fashion. The strategies are: *Market Penetration, Market development, Product Development or Diversification.*

Marketing Planning involves: **analyzing the environment** (SWOT**), setting objectives and accountability and developing marketing strategies.** Those strategies include: **selecting a target market; developing *Product* strategies, *Pricing* strategies, *Promotion* strategies and *Placement* or distribution strategies.** Marketing plans are executed in conformance with financial and staffing budgets, controlled by continual evaluation of trend analysis and market research and evaluated in terms of achievement of objectives.

Understand the differences between **strategic planning** (top level corporate managers, *generals* & top level SBU managers, colonels), **functional planning** (functional managers, majors and captains) and **operational planning** (functional supervisors, lieutenants and sergeants).

BAD250 Chapter 3 Thriving in the Marketing Environment

In 2007, the US market exported $772 Billion of goods and services while importing $ 1 Trillion, 449 Billion, a very large US trade deficit. Nonetheless, many American companies rely heavily on their share of US exports to compliment their sales and profit results here in the US market. (Ford, GM, IBM, Microsoft, McDonald's, Agricultural companies), are a few of many examples.

Consideration for entering the international or global arena requires even broader understanding that results from assessment of the **internal business environment** (evaluation of *corporate resources* and *corporate* competencies). It also involves understanding *corporate culture* (Risk taking, Profit focused, People centered). Those who achieve a proper balance among those cultures are generally the most successful companies.

Analyzing the **external business environment** in other countries involves assessment and evaluation of the *economic environment, the competitive environment, the technological environment, the legal or regulatory environment, the social environment and the natural environment* in areas that firms consider for international expansion. ***Economic:*** understand the cycle (prosperity, recession and recovery) that business is in at a given time, the effect of consumer mood and confidence and the power of expectations. ***Competitive:*** Perform **SWOT** analysis, seek *competitive intelligence* in each of the 4-P's. Level 1 is competition for *discretionary income*. Level 2 is pure *product competition* and Level 3 is *Brand competition*. All must be understood to develop appropriate international strategies.

Industry structure must also be understood. **Monopoly**-one seller controls market (utility company)
Oligopoly-small number of sellers, each has substantial market share (refrigerator manufacturers)
Monopolistic competition- many sellers, slightly different products, small shares of market (soap manufacturers)
Perfect competition- many sellers, same product (farmers)

Technology developments and applications must also be understood and invested in to assure competitiveness. Patents and their applications should be both protected if yours, and understood if competitors. Keeping current with suppliers of technology is also very important.
The Socio-cultural environment, societal characteristics, values, beliefs and attitudes must also be understood. More often than not, it is the socio-cultural considerations that will have a greater impact on outcomes than the others above
The **Legal/ regulatory** environment is also key. Issues like *protectionism, import quotas, embargoes, tariffs, local content rules, and ethnocentrism* must be considered as both strategic and specific marketing plans are developed.

Market Entry Strategy options include *Exporting,* using intermediaries to sell and distribute your goods and services in another country. *Licensing,* one firm gives another firm the right to produce and market its product or service in a specific country or region in return for royalties. *Franchising, is* a form of licensing involving the right to adapt an entire system of doing business. S*trategic Alliances,* are relationships developed between a firm seeking a deeper commitment to a foreign market and a domestic firm in that target country. *Joint ventures* are strategic alliances in which a new entity owned by two or more firms allows the partners to pool their resources for common goals. *Direct investment* is either building your own business from scratch or buying all or part of a firm in another country to run as your own.

Some global companies employ a *straight extension strategy,* where they offer the same product in both domestic and foreign markets. Others employ *a product adaptation strategy,* where they offer a similar but modified product in foreign markets. Some employ a *product invention strategy* where they develop a totally new product for foreign markets.

BAD 250 Chapter 4 Marketing Information and Research

Marketing Information System (MIS) is the process of continuously *gathering, sorting, analyzing, storing and distributing* relevant and timely marketing information to appropriate company personnel. It is generally comprised *of internal data, marketing intelligence, marketing research, and acquired databases* that are processed in computer systems and provide appropriate decision-making input.

Marketing research is the process of *collecting, analyzing and interpreting data* ***about customers, competitors and the business environment*** that will help managers make good decisions involving the marketing mix (4-P's) that result in a value image, and an experience that appeals to customers and achieves company objectives. There are two types of market research, **Syndicated** (available from third parties) and **Custom,** (conducted for a single firm to provide specific information).

MDSS, Marketing Decision Support System: Processes data available from the MIS through interactive statistical and modeling software to provide very specific information for decision-making. Data Mining uses super computers to combine different databases to understand relationships among buying decisions. Mining has four important applications: customer acquisition; customer retention; customer abandonment; market basket analysis.

Steps in the Marketing Research Process are:
Define the problem (most important); specify the research objectives, identify the consumer population of interest, place the problem in an environmental context.

Determine the research design; is secondary data available or is primary research required? If primary, is **exploratory** (usually qualitative data that generates insights for more rigorous studies [focus groups}); **descriptive**, always quantitative, (bases its conclusions on large numbers of observations) or **causal** (attempts to find cause and effect relationships i.e. pampers/beer) the best method. Data quality in the foregoing must be stringent. The **validity**, (extent to which research actually measures what it was intended to measure and **reliability,** the extent to which the research is error free, and the **representativeness**, the extent to which the sample is projectible are critical to the process.

Choose the data collection method; some choices are: mail questionnaires, telephone interviews, face-to-face interviews, online questionnaires or mechanical observation. (cameras, tape recorders, counting devices).

Design the sample; Do you use a **probability** sample (every member of the population has a random chance of being polled [systematic, every third person, or **stratified,** proportionate on a characteristic]) or a **nonprobability** sample (personal judgment is used in selecting respondents {convenience, quota,)

Collect the data; assure consistency in presentation of interviewers, or can you learn what you need from a single source such as retail scanners, or meters [Nielsen])

Analyze and interpret the data; spreadsheet, tabulate, cross-tabulate, chart and/ or graph to draw conclusions.

Prepare the Research report. Prepare an executive summary, describe the research methodology, discuss the results of the study using the materials analyzed, comment on study limitations if any, and present your conclusions and recommendations for action based on the results.

Cookies are text files inserted by a web site sponsor that remember details of your visit to their site. When you register on a site you are also providing information that will help the site sponsor tailor promotions specifically to you based on the demographic information you provide combined with your visit history. This information is also often sold to other companies who seek your characteristics for their promotional targeting. The marketing landscape is dramatically changing as a result of the Internet.

BAD250 Chapter 5 Consumer Behavior

Consumer Behavior is the process that individuals and groups go through to select, purchase, or use goods or services. Consumers go through the process and marketers strive to understand that process so that they can tailor the 4-P's to result in the sale of their product or service with benefit to both parties in a fashion where the product never comes back and the customers always do!

The **Consumer Decision Process** consists of 5 (five) steps: ***Problem recognition; information search; alternative evaluation; product choice; post-purchase evaluation.*** The process differs depending on whether the customer is deciding about a *long-term* purchase like a durable good or continuous or very expensive good or service as opposed to a consumable good, or more of an *impulse* purchase.
Recognition occurs when a consumer perceives a need. It could evolve from an internal perception such as discomfort or something wearing out or it could evolve from an external stimulus where marketers, peers, neighbors or relatives acquire or make you aware of something that you would like to ha, or need yourself.
Information Search could involve personal experience or knowledge, friends, relatives, advertising, relevant articles, shopping (traditional stores, catalogs or web sites).
Evaluation of alternatives usually begins with a target that reflects *affordability*. You then consider the features, performance, safety, style, and comfort available in that affordable range and narrow your choices by ranking them in some fashion and ultimately make a **Product Choice** or selection. After receipt one generally concludes rather quickly in **a Post-purchase evaluation**, their level of satisfaction with the choice. If the marketer has done his/her job effectively, that will be a very positive experience for each element of the marketing mix has elected to present.
Sometimes, choices are made on the basis of *Heuristics,* (rules of thumb), such as the 80/20 rule, the rule of 72, brand loyalty, country of origin, or you simply *like something or you don't.*

There are 3 basic influences involved in consumer decision-making, ***internal, situational, and social.*** Elements from all 3 are often considered in the decision process.
Internal influences include: *perception, motivation, learning, attitudes, personality, age, lifestyle.*
Perception: we have a sense of our likes and our dislikes. Gut feelings often dominate.
Motivation: We know when we are ready to buy, when we want to satisfy a need.
Learning: A change in behavior caused by information, evaluation, or experience

Attitudes: A lasting evaluation of a person, an object or an issue. (good, better, best)
Personality: Outgoing vs. reserved or flashy vs. conservative or confident vs. shy.
Age: Products and services are often tailored to specific age groups
Lifestyle: Where are you in the family cycle? What are your AIO"s (attitudes, interests and opinions)?
Situational influences include: *physical environment and time*
Physical environment: Is a store exciting? Are the displays interesting or boring? Are the goods appealing?
Time: day part, season, and ability to purchase within time constraints are critical to many consumers.
Social influences include: *culture and sub-culture, social class, group behavior and reference groups, and Opinion leaders.*
Culture and sub-culture: Chicagoan vs. New Yorker and among Chicagoans, Sox fan vs. Cubs fan.
Social class: Live, dress, drive and own a home that portrays what you believe your self-image is
Group behavior: Everybody else wears one, owns one or does that so I better.
Reference group: Cool/sheik vs. boring/ plain a set of people a consumer wants to please or imitate.
Opinion leaders: Person in a group who others count on or pay attention to.

Peer-to-Peer E-Commerce is communications and trades or purchases that occur among individuals without directly involving any intermediaries like manufacturers, wholesalers/distributors or retailers. There are numerous virtual communities that now exist. There are chat rooms, boards, auction sites, product rating sites, protest sites, multi-user role-playing and game playing sites. These activities are influencing consumers in ways that have caused a major reappraisal of the ways marketers and their companies approach their traditional methods for employing the 4-P's in their quest for sales.

BAD 250 Chapter 6 – Business to Business Markets

Business-to-Business Marketing is marketing and selling of goods and services that businesses and organizations buy for consumption. Also called **industrial, commercial or organizational** marketing.

The **B to B** market is more complex. It can have multiple buyers (purchasing, marketing, engineering), with far fewer customers (100+million households compared to approx 5 million businesses), the average size of purchases is considerably larger, and there is more geographic concentration than in the consumer market

B to B demand characteristics are: **demand** is generally **derived (**business demand for goods/services comes either directly or indirectly from consumer's demands**)** **[**Consumer wants an education, creates demand for textbooks which creates demand for paper which creates demand for forestry products]); **demand** is generally **inelastic** (small changes in price generally do not impact quantity purchased); demand fluctuates (small changes in consumer demand can create large increases/decreases in business demand [multiplier effect/acceleration principle]); often there is **joint demand** (Auto-battery/spark plugs/tires; clothing-buttons or zippers).

The total business market consists of three sectors, (1) **Producers:** i.e. fishing, agricultural, lumber, steel glass, and plastic industries. They sell to manufacturers of consumer goods and component parts who provide goods and services for the financial, transportation, restaurants, hotels, healthcare, recreation and entertainment industries. (2) **Resellers:** wholesalers/distributors, rep firms and retailers. (3) **Organizations:** Federal, state, county and local governments as well as not-for-profit institutions.

NAICS is the North American Industry Classification System**.** It reports the number of firms, total dollar amount of sales, number of employees, and growth rates of industries by geographic region. It is used to assess potential markets and to benchmark a firm to its industry group.

Buying situations are classified by the effort required to make a buying decision. A s**traight rebuy** is repetitive buying of consumed goods or services from the same suppliers. A **modified rebuy** would be a slightly altered good or service and could involve either existing or new suppliers. **New Task buying** is a totally new good or service that might be purchased from existing or new suppliers.

Professional buyers are called purchasing agents, procurement officers, or directors of materials management. They focus on economic factors beyond the price, performance and quality of a product or service including transportation, delivery charges, accessory products or supplies, maintenance or vendor support, and disposal costs. Many large firms have centralized purchasing; one department does all the buying. ***However,*** you must be aware of the **Buying Center** in a company, the ***group*** of people in the company who participate in the decision-making process.
Most importantly, ***Marketers/salespersons must always identify and have access to the ultimate decision maker in the business you are trying to gain or maintain as a customer.***

Buying center roles include**; Initiator-**begins the buying process**; User-**needs the product**; Gatekeeper-**controls flow of info to other members**; Influencer-**dispenses advice or shares expertise**; Decider-**makes final decision**; Buyer-**executes the purchase**.**

The business buying decision process begins with**: Problem recognition,** and is followed by **Information search, alternative evaluation, product or supplier selection, purchase and post-purchase selection.** It is virtually the same as the consumer decision process.

B to B Commerce is often conducted over the Internet these days. It allows marketers to link directly to suppliers, factories, distributors, retailers and customers. Some firms use **Intranets** to link company employees, departments and databases. Some also use **Extranets,** which allow *cleared* outsiders to access information on its intranet. Still others use a Private Exchange that links invited groups of suppliers and partners over the web.